

**CITY OF LENOX, IOWA**  
**INDEPENDENT ACCOUNTANT'S REPORT**  
**ON APPLYING AGREED-UPON PROCEDURES**  
**FOR THE PERIOD**  
**JULY 1, 2013 THROUGH JUNE 30, 2014**

CITY OF LENOX, IOWA  
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CITY OF LENOX, IOWA  
OFFICIALS  
June 30, 2014

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January, 2014)		
Brent Wise (Resigned June, 2013)	Mayor	
Karen Zabel (Appointed July, 2013)	Mayor	January, 2014
Robert Halligan	Council Member	January, 2014
Sandra Donaldson	Council Member	January, 2014
Clint Curtis	Council Member	January, 2016
Mike Bowman	Council Member	January, 2016
Floyd Donehoo	Council Member	January, 2016
Doug Polen	City Administrator	Indefinite
Dawne Bowman	City Clerk	Indefinite
Carl Sonksen	City Attorney	Indefinite
(After January, 2014)		
Karen Zabel	Mayor	January, 2016
Nick Custer	Council Member	January, 2018
Jo Adams	Council Member	January, 2018
Clint Curtis	Council Member	January, 2016
Mike Bowman	Council Member	January, 2016
Floyd Donehoo	Council Member	January, 2016
Doug Polen (Resigned June, 2014)	City Administrator	
Tia Samo (Started June, 2014)	City Administrator	Indefinite
Dawne Bowman	City Clerk	Indefinite
Carl Sonksen	City Attorney	Indefinite

# Gronewold, Bell, Kyhnn & Co. P.C.

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## INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Honorable Mayor  
and Members of City Council

We have performed the procedures enumerated below which were established pursuant to Chapter 11.6 of the Code of Iowa enacted by the Iowa Legislature to provide oversight of certain Iowa cities. Accordingly, we have applied certain tests and procedures to selected accounting records and related information of the City of Lenox for the period July 1, 2013 through June 30, 2014. The City of Lenox's management, which agreed to the performance of the procedures performed, is responsible for the City's records.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards for attestation engagements contained in Government Auditing Standards, issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed are summarized as follows:

1. We reviewed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. We reviewed the City's internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee.
3. We reviewed security bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. We obtained and reviewed the City Clerk's financial reports and selected bank reconciliations to determine whether the bank balances properly reconciled to the general ledger account balances and monthly financial reports provided to the City Council.
5. We reviewed City funds for consistency with the City Finance Committee's recommended uniform chart of accounts and to determine required funds and fund balances are properly maintained and accurately accounted for.
6. We reviewed the City's fiscal year 2014 Annual Financial Report to determine whether it was completed and accurately reflects the City's financial information.

To the Honorable Mayor  
and Members of City Council

7. We reviewed compliance with Chapters 12C.2, 12B.10B and 556.1(12) of the Code of Iowa pertaining to required depository resolutions, investment policy and reporting of unclaimed property to the State of Iowa.
8. We reviewed debt, including general obligation and revenue bonds/notes, and related transactions for proper authorization and compliance with Chapters 75, 384 and 403.9 of the Code of Iowa and to determine whether the debt and related proceeds and repayments were properly accounted for.
9. We reviewed and tested selected tax increment financing (TIF) transactions, including receipts, disbursements and transfers, for compliance and accurate accounting, including compliance with the TIF reporting requirements of Chapter 384.22 of the Code of Iowa.
10. We reviewed the City's TIF debt certification forms filed with the County Auditor, including requests for collection of reduced TIF amounts and to decertify certain TIF obligations, as applicable, for proper support and compliance with Chapter 403.19(6) of the Code of Iowa.
11. We reviewed and tested selected receipts for accurate accounting and consistency with the recommended chart of accounts.
12. We reviewed and tested selected disbursements for proper approval, adequate supporting documentation, accurate accounting and consistency with the recommended chart of accounts and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.
13. We reviewed transfers between funds for propriety, proper authorization and accurate accounting.
14. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
15. We reviewed the annual certified budget for proper authorization, certification and timely amendment.

Based on the performance of the procedures described above, we identified various recommendations for the City. Our recommendations are described in the Detailed Recommendations section of this report. Unless reported in the Detailed Recommendations, items of non-compliance were not noted during the performance of the specific procedures listed above.

We were not engaged to and did not conduct an audit of the City of Lenox, Iowa, the objective of which is the expression of opinions on the City's financial statements. Accordingly, we do not express opinions on the City's financial statements. Had we performed additional procedures, or had we performed an audit of the City of Lenox, Iowa, additional matters might have come to our attention that would have been reported to you.

To the Honorable Mayor  
and Members of City Council

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Lenox, Iowa and other parties to whom the City of Lenox, Iowa may report. This report is not intended to be and should not be used by anyone other than these specified parties.

Commonwealth, Bell, Kohn & Co. P.C.

Atlantic, Iowa  
January 15, 2015

## DETAILED RECOMMENDATIONS

## CITY OF LENOX, IOWA

### Detailed Recommendations

For the period July 1, 2013 through June 30, 2014

- (A) Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Generally, one individual has control over each of the following areas for the City:

- (1) Cash - handling, reconciling and recording.
- (2) Receipts - opening mail, collecting, depositing, journalizing, reconciling and posting.
- (3) Disbursements - purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (4) Payroll - recordkeeping, preparation and distribution.
- (5) Utilities - billing, collecting, depositing and posting.
- (6) Financial reporting - preparing and reconciling.
- (7) Journal entries - preparing and journalizing.

Recommendation - We realize segregation of duties is difficult with a limited number of employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Independent reviews of reconciliations should be evidenced by the signature or initials of the reviewer and the date of the review.

- (B) Publication of Minutes - Chapter 372.13(6) of the Code of Iowa states "Within fifteen days following a regular or special meeting of the council, the clerk shall cause the minutes of the proceedings of the council, including the total expenditure from each city fund, to be published in a newspaper of general circulation in the city." For one of the meetings selected for testing, the minutes were not published in the paper.

Recommendation - The City should make sure to publish the minutes of every council meeting within the time allowed per Chapter 372.13(6) of the Code of Iowa.

- (C) Unclaimed Property Report - The City appears to have unclaimed property in accordance with Chapter 556.1(12) of the Code of Iowa, but did not report the unclaimed property to the State Treasurer annually by November 1 as required by Chapter 556.11 of the Code of Iowa.

Recommendation - The City should comply with the identification and reporting of unclaimed property in accordance with Chapters 556.1(12) and 556.11 of the Code of Iowa.

- (D) Tax Increment Financing - Tax increment financing collections were recorded as revenue in the General Fund rather than being recorded in the Special Revenue, Urban Renewal Tax Increment Fund as required by Chapter 403.19 of the Code of Iowa.

Recommendation - Tax increment financing collections are to be recorded in the Special Revenue, Urban Renewal Tax Increment Fund as required by Chapter 403.19 of the Code of Iowa. The City should also determine the amount of TIF collections that have been improperly recorded in the General Fund.



CITY OF LENOX, IOWA

Detailed Recommendations - Continued

For the period July 1, 2013 through June 30, 2014

- (E) Deficit Balances - The Golf Fund had a deficit cash balance at year end.

Recommendation - The City should make appropriate transfers to eliminate the deficit cash balance.

- (F) Approval of Disbursements - Paid invoices do not include documentation of approval and are not being cancelled when paid.

Recommendation - Approval of invoices should be documented on the invoices by appropriate City personnel, prior to City Council approval, to identify that it is a proper City expenditure. After payment of the invoice, it should be marked as paid to prevent it from being paid twice.

- (G) Time Cards - Hours on time cards are not approved by a manager or supervisor.

Recommendation - A manager or supervisor should approve all employee hours on time cards for each payroll period.

- (H) Certified Budget - Disbursements during the year ended June 30, 2013 exceeded the amounts budgeted in the health and social services and community and economic development functions. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

Recommendation - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

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